

Summary

- Expectations for one-year-ahead annual inflation decreased by 35 basis points from 2.40% to 2.05%. Two-year-ahead inflation expectations increased from 2.03% to 2.12%. Five-year-ahead and ten-year-ahead inflation expectations increased to 2.24% and 2.19%, respectively.
- On average, survey respondents expected the Official Cash Rate (OCR) to be 4.20% by the end of the December 2024 quarter and fall to 3.33% by the end of the September 2025 quarter.
- The one-year-ahead and two-year-ahead unemployment rate expectations were 5.22% and 4.86%, respectively.
- Expectations for one-year-ahead annual wage inflation decreased by 7 basis points from 2.88% to 2.81%. Two-year-ahead annual wage inflation expectations increased from 2.86% to 3.16%.
- Annual real production-based GDP growth was expected to be 1.60% in one year, with an increase to 2.17% in the following year.
- Expectations for one-year-ahead house price inflation increased by 71 basis points from 2.33% to 3.04%. Two-year-ahead expectations fell from 4.40% to 4.17%.

Survey respondents expected CPI inflation to fall next year.

This quarter, the Survey of Expectations went into the field on 17th October 2024, following Stats NZ’s Consumers Price Index (CPI) release on 16th October 2024.

Annual CPI inflation for the September 2024 quarter was 2.2%, down from 3.3% in the June 2024 quarter.

A higher response rate was achieved for the Survey of Expectations in the December quarter. We received 40 responses from business leaders and professional forecasters this quarter, an increase from 33 responses in the last quarter.

Short-term CPI inflation expectations

The mean one-year-ahead annual inflation expectation decreased from 2.40% to 2.05%, a decline of 35 basis points compared to the last quarter, marking the seventh consecutive quarterly decline since June 2023.

Medium-term and long-term CPI inflation expectations

The mean two-year-ahead annual inflation expectation increased by 9 basis points, from 2.03% last quarter to 2.12%. The mean five-year-ahead annual inflation expectation increased by 17 basis points from 2.07% last quarter to 2.24%. The mean ten-year-ahead annual inflation expectation increased by 16 basis points from 2.03% last quarter to 2.19% (see Figure 1 & 2).

Figure 1. Annual CPI inflation expectation - December 2024 Business SOE

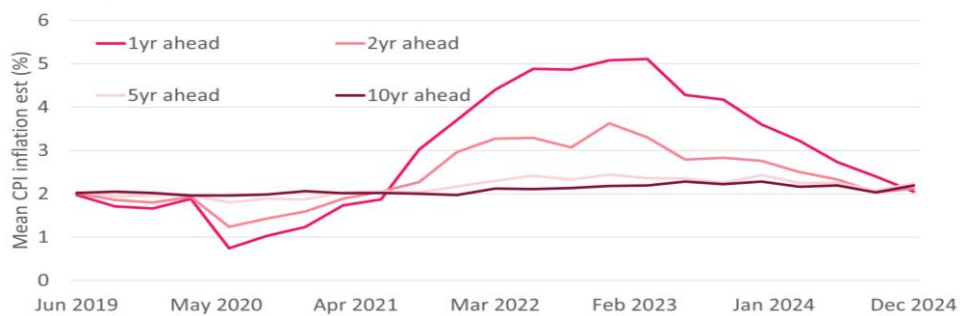
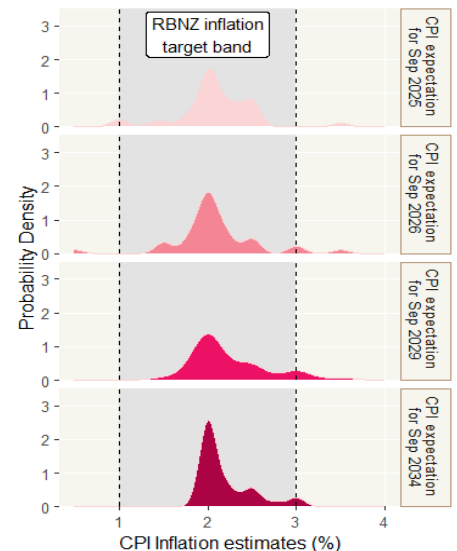


Figure 2. CPI Inflation Expectations - December 2024 Business SOE



Survey respondents expect the OCR to decrease

We ask respondents what their expectations of the Official Cash Rate (OCR) are at the end of the December 2024 quarter and the September 2025 quarter (one-year-ahead).

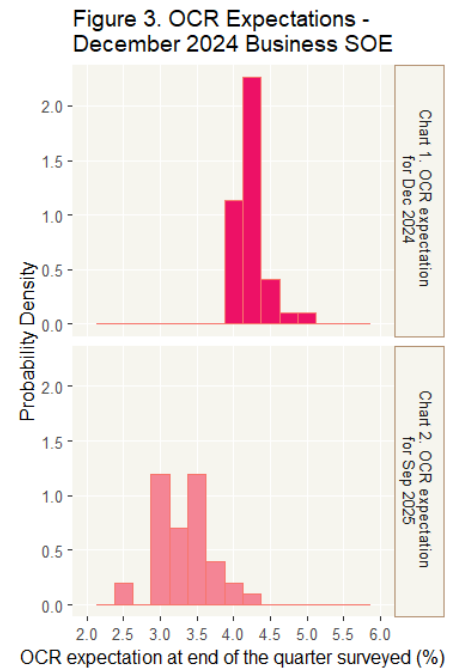
The OCR is currently 4.75% and was last reduced by 50 basis points from 5.25% on 9th October 2024. The RBNZ's next *Monetary Policy Statement* will be released on 27th November 2024.

By the end of the December quarter

More than half of survey respondents were expecting the OCR to decrease by 50 basis points to 4.25% by the end of the December quarter (see Chart 1, Figure 3). The mean expectation for the OCR was 4.20% by the end of the December 2024 quarter, a decrease of 1.2 percentage points from last quarter's 5.40%.

One year ahead

The mean one-year-ahead OCR expectation was 3.33%, a decrease of 91 basis points from last quarter's estimate of 4.24%. Survey respondents' expectations ranged from 2.50% to 4.25% (see Chart 2, Figure 3).

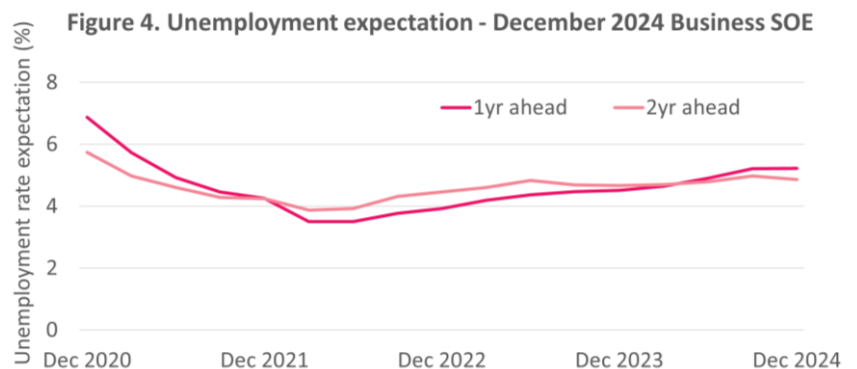


Expectations for the unemployment rate remained relatively stable

The mean one-year-ahead unemployment rate expectation increased by 1 basis point from 5.21% last quarter to 5.22%.

The mean two-year-ahead expectation for the unemployment rate decreased from 4.97% last quarter to 4.86%.

Note: The Survey of Expectations collection was closed on 23rd October 2024. Stats NZ released unemployment statistics on 6th November 2024. According to the data, the seasonally adjusted unemployment rate was 4.8% in the September 2024 quarter, compared with 4.6% in the June 2024 quarter.

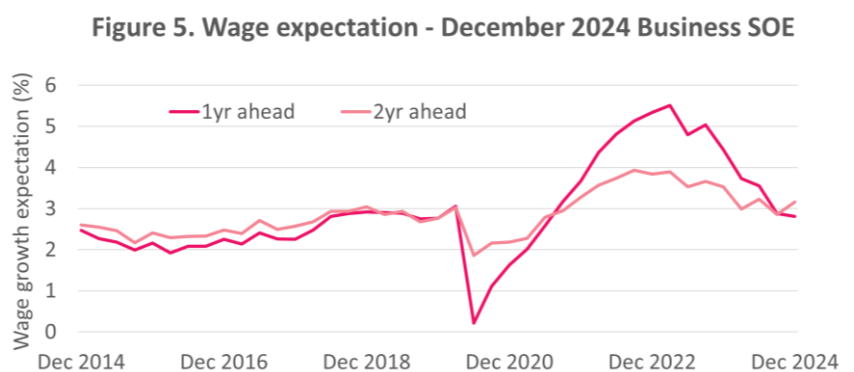


Expectations for wage growth declined one year ahead but increased two years ahead

We ask respondents their expectations of the annual percentage change in average hourly wage rates, as measured by Stats NZ's Quarterly Employment Survey (QES) for the private sector (ordinary time).

The mean one-year-ahead expectation for annual wage inflation was 2.81%, a decrease of 7 basis points from 2.88% last quarter.

The mean two-year-ahead expectation for annual wage inflation increased by 30 basis points from last quarter's estimate of 2.86% to 3.16%.



Expectations for GDP growth have increased over the next two years

The survey asks respondents for their expectations of the annual percentage change in the real production-based GDP in the September quarter of 2025 (one-year-ahead) and 2026 (two-year-ahead).

The mean one-year-ahead expectation for the real production-based GDP growth increased by 61 basis points from 0.99% last quarter to 1.60% (see Figure 6).

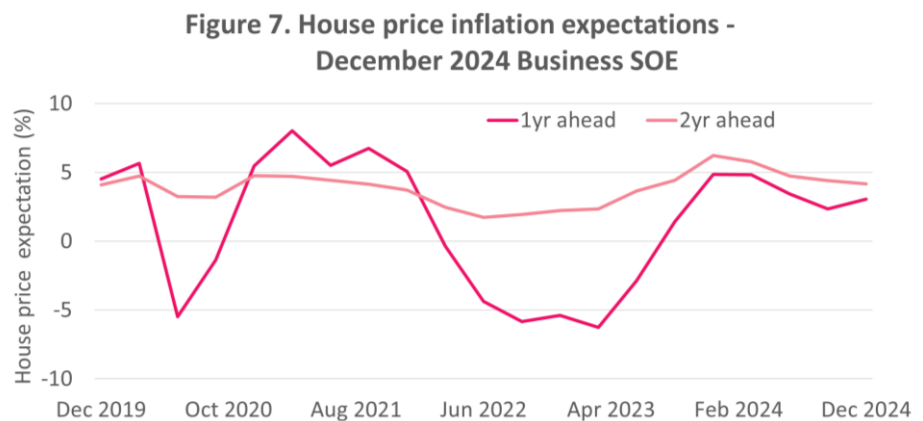
The mean two-year-ahead expectation for the real production-based GDP growth increased by 7 basis points from 2.10% last quarter to 2.17% (see Figure 6).



Expectations for house price inflation have increased one year ahead, but declined two years ahead

The mean one-year-ahead expectation for annual house price inflation increased by 71 basis points from 2.33% last quarter to 3.04%.

The mean two-year-ahead expectation for annual house price inflation was 4.17%, with a decrease of 23 basis points from 4.40% last quarter.



About the Survey of Expectations:

The data for this quarter was obtained from 40 business leaders and professional forecasters by Research New Zealand – Rangahau Aotearoa on behalf of RBNZ. Field work for the survey was run between the 17th and 23rd October 2024.

The Survey of expectations fieldwork has been carried out by Research New Zealand – Rangahau Aotearoa since September 2023. We are not making any changes to the survey questionnaire nor panel of respondents at this stage. The time series remain consistent and comparable.

For more information refer to the RBNZ website: Survey of expectations (M14) - Reserve Bank of New Zealand - Te Pūtea Matua (rbnz.govt.nz) or contact: stats-info@rbnz.govt.nz